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FIVE YEARS IN PRISON FOR USE OF TRUST SCHEME TO EVADE TAXES

SACRAMENTO--United States Attorney McGregor W. Scott and IRS Criminal Investigation Special Agent in Charge Roger L. Wirth announced today that CHARLES SIGERSETH, 66, (formerly owner of Sigerseth Insurance Agency in Sacramento) was sentenced today to 63 months in federal prison on federal income tax charges related to the filing of SIGERSETH's 1995 and 1996 federal income tax returns. More specifically, he was convicted of conspiracy to defraud the United States in the assessment and collection of taxes, and two counts of tax evasion. SIGERSETH's codefendant, CALVIN AVILA, 69, of Sacramento, was also convicted of the same conspiracy charge and two counts of aiding and abetting SIGERSETH concerning SIGERSETH's 1995 and 1996 federal income tax returns. AVILA was sentenced on September 13, 2006, to 63 months in federal prison. The defendants were convicted by a federal jury in Sacramento after a three week trial in June of this year. United States District Judge William B. Shubb, who tried the case, sentenced both defendants.

This case is the product of an extensive investigation by the Criminal Investigation Division of the Internal Revenue Service. According to IRS Criminal Investigation Special Agent in Charge Roger L. Wirth, "This case clearly demonstrates that the IRS will not tolerate promoters of abusive tax schemes or the individuals who use them to evade their taxes. Such promoters put themselves and their clients at serious risk of financial loss, civil penalties and criminal prosecution."

In sentencing the defendant, Judge Shubb observed that there were networks of persons who perpetrate tax evasion schemes, and who watched cases such as this one. "The message needs to be sent to those people that there are consequences for this kind of conduct." Judge Shubb told SIGERSETH: "When you don't pay your taxes you cheat all of us. We all end up paying for your taxes. We need to send out the message that it can't go unpunished."

According to Assistant United States Attorney Richard Bender, who prosecuted the case, the evidence introduced at trial showed that Charles SIGERSETH attended a seminar put on by a company called "National Trust Services" (NTS) who told SIGERSETH that by putting his business into a "business trust" (to which SIGERSETH purportedly assigned his income) and directing all business profits to a "family trust," he could write off all personal expenses (food, entertainment, house cleaning, house furnishings and maintenance) as business deductions on the family trust returns. Further, he was told, any remaining taxable income could be "set-aside" into a "family foundation" that would purportedly later be donated to charity and that, as a result,

the “set-aside” amount constituted a charitable deduction. Mr. SIGERSETH implemented this scheme and used it for his 1993-1997 tax returns, usually paying just 10% of what he actually owed in federal taxes.

At trial the evidence showed that, in fact, the multi-tiered trust scheme failed on multiple legal fronts. First, the assignment of SIGERSETH’s right to receive the profits of his insurance business to the family trust were ineffective in shifting his liability for taxes since he was the person who had the right to receive and control the income. Second, placing the family home and other assets into the “family trust” did not magically convert non-deductible personal family expenses into deductible business expenses since legitimate business deductions must be directly tied to the generation of income. Third, one cannot legitimately receive a charitable deduction for amounts merely “set-aside” for that purpose, particularly when, as here, the funds remained under the sole control of SIGERSETH.

According to the evidence, SIGERSETH’s 1993 and 1994 tax returns were audited by the IRS in 1997. SIGERSETH’s 1995 and 1996 tax returns were also audited, and he hired codefendant CALVIN AVILA to help him with his disputes with the IRS. AVILA was himself a promoter of these tax evading trust arrangements and convinced SIGERSETH that the NTS trusts were simply poorly drafted. AVILA redrafted the business and family trusts, and appointed himself as trustee. Thereafter, both SIGERSETH and AVILA took the position with the IRS that the trusts were “pure trusts” that were somehow beyond the regulation of, or taxation by, federal and state government. Both defendants were defiant in response to repeated requests for information from the IRS and sent material to the IRS claiming, among other things, that the IRS was not a real government agency, and that the Internal Revenue Code was not valid law since the regulations pertained to the U.S. Bureau of Alcohol, Tobacco and Firearms. They also took steps to make collection of SIGERSETH’s 1995 and 1996 tax liability more difficult by opening new bank accounts with false taxpayer I.D. numbers and names not associated with SIGERSETH, and by filing a Tax Court petition for purposes of delay.

SIGERSETH was also ordered to serve a three year term of supervised release following his release from prison, and was ordered to pay \$300 in assessments..

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